

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP

2009 DEC -9 A 9:25

AZ CORP COMMISSION
DOCKET CONTROL

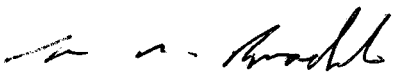
APPLICATION OF ARIZONA-AMERICAN
WATER COMPANY, AN ARIZONA
CORPORATION, FOR AUTHORITY TO
INCUR LONG-TERM DEBT THROUGH THE
WATER INFRASTRUCTURE FINANCE
AUTHORITY OF ARIZONA.

DOCKET NO. WS- 01303A-09-0152

NOTICE OF FILING
COMPLIANCE - EXECUTED
FINANCING DOCUMENTS

1 Arizona-American Water Company hereby files the attached Loan Agreement, dated
2 November 6, 2009, in compliance with Decision No. 71168 to file a copy of executed financing
3 documents within 60 days following execution.

4
5 RESPECTFULLY SUBMITTED on December 9, 2009.

6
7
8
9 

10 Thomas Broderick
11 Director, Rates & Regulation
12 Arizona American Water
13 19820 N. 7th St., Suite 201
14 Phoenix, Arizona 85024
15 (623) 445-2420

16
17
18
19 **Original and 15 copies filed**
20 **on December 9, 2009, with:**

21
22 Docket Control
23 Arizona Corporation Commission
24 1200 West Washington
25 Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

DEC - 9 2009

DOCKETED BY



26
27
28
29
30 **Copies of the foregoing mailed**

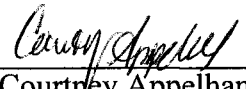
1 on December 9, 2009, to:
2

3 Legal Division
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007
7

8 Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington
11 Phoenix, Arizona 85007
12

13 Lyn Farmer
14 Chief Hearing Officer
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007
18

19 Residential Utility Consumer Office
20 1110 W. Washington Street
21 Suite 220
22 Phoenix, AZ 85007
23

24 By: 
25 Courtney Appelhans
26



**Water Infrastructure
Finance Authority
of Arizona**

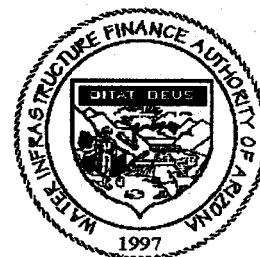
**(ARRA of 2009)
Arizona's Drinking Water
Revolving Fund**

Arizona-American Water Company

Loan Agreement #92A162-10

November 6, 2009

Arizona American Water Company Copy



Arizona-American Water Company and
Water Infrastructure Finance Authority of Arizona

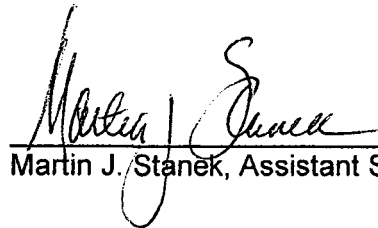
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**SECRETARY'S CERTIFICATE
OF
ARIZONA-AMERICAN WATER COMPANY.**

The undersigned, Martin J. Stanek, hereby certifies that he is the Assistant Secretary of Arizona-American Water Company, an Arizona corporation ("AAW"), and further certifies that attached hereto as Annex A is a true and correct copy of resolutions duly adopted by the board of directors of AAW on April 21, 2009, all of such resolutions being in full force and effect on the date hereof.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Secretary's Certificate as of November 6, 2009.



Martin J. Stanek, Assistant Secretary

ANNEX A
To
SECRETARY'S CERTIFICATE

WHEREAS, on February 17, 2009, the President of the United States signed into law the American Recovery and Reinvestment Act of 2009 ("ARRA") making supplemental appropriations for infrastructure investment and other purposes. In Arizona, funds for drinking water projects are being administered through the Water Infrastructure and Finance Authority of Arizona ("WIFA"); and

WHEREAS, the Company applied for \$4.3 million of ARRA financing for the Company's construction of an arsenic removal facility for its Tubac water system and the replacement of its Sun City Well 8.2; and

WHEREAS, if approved, the ARRA financing will be at least partially subsidized by the United States and be for a term of 20 years; and

WHEREAS, the terms of the proposed ARRA financing will require that the Company comply with certain conditions including the following conditions: (i) payment of prevailing wages on the funded projects pursuant to the "Wage Rate Requirement" of the Davis-Bacon Act; (ii) use of American iron, steel, and manufactured goods on the funded projects; (iii) begin construction of the funded projects by June 15, 2009; and (iv) make a good faith effort to facilitate Minority-owned, Women-owned, and Small Business in Rural Area participation in the funded projects; and

WHEREAS, the proposed ARRA financing requires debt authorization by the Company and by the Arizona Corporation Commission;

RESOLVED, that the Board of Arizona-American Water Company hereby finds that the ARRA financing is advisable and in the best interests of the Company and its stockholders; and

RESOLVED, that the Board of Arizona-American Water Company hereby approves the borrowing of up to \$4.3 million from WIFA to finance the Company's construction of an arsenic removal facility for its Tubac water system and the rehabilitation of its Sun City Well 8.2 for a term of 20 years and on such other terms and conditions deemed reasonable and in the best interests of the Company by the President and Treasurer of the Company and authorized by the Arizona Corporation Commission; and

RESOLVED, that the President and Treasurer of the Company are authorized to take such actions as are necessary and desirable to consummate the foregoing financing arrangements; and

RESOLVED FURTHER, that the Officers of the Company and their designees are hereby authorized and empowered to apply for and obtain any approvals required for said financings from the Arizona Corporation Commission or any other regulatory authority and are further authorized to retain the services of outside legal counsel as required to advise in the negotiation, consummation, or regulatory approval of the financings; and

RESOLVED FURTHER, that the Officers of the Company be, and each of them hereby is, authorized and directed to do and perform, or cause to be done and performed, all such acts, deeds and things and to make, execute and deliver or cause to be made, executed and delivered all such agreements or documents in the name and on behalf of the Company or otherwise as each such officer may deem necessary or advisable to effectuate or carry out fully the purpose and intent of the foregoing resolutions, without further authority or approval by the Board of Directors of the Company, the taking of any such actions and the execution and delivery of such agreements and documents to be conclusive evidence of the authority therefore.

**ARRA Loan Resolution 2009-054- Arizona American
Water Company
Water Infrastructure Finance Authority of Arizona**

Section 1: Resolution

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Arizona American Water (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

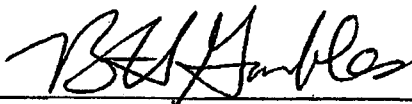
NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

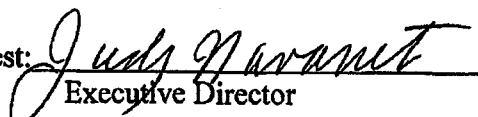
The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: June 25, 2009

By: 
Chairman

Attest: 
Executive Director

ARRA Loan Resolution 2009-054- Arizona American Water Company

Water Infrastructure Finance Authority of Arizona

Section 2: Project Summary

2.1 Project Number(s)

DW 115-2009

2.2 Project Budget Data

<u>ARRA PL Rank</u>	<u>Master PL Rank</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Type of ARRA Assistance</u>	<u>Subsidy Rate</u>
8	47	2009	*1016	Forgivable Principal \$ 1,150,000	75%

2.3 Project Description(s)

Tubac Water will treat the water from Well 4 and Well 5 to comply with the EPA limit and no longer use the other wells that are in excess of the limit. Arsenic removal vessels using iron absorption media will be installed at Well 5 while the water from Well 4 will be piped to Well 5 through an existing transmission line. A new transmission line will be constructed to carry the treated water back into the distribution system. The treatment capacity of the iron absorption vessels will be 500 gallons per minute.

2.4 Board/Board of Committee Actions

None

2.5 Project Finance Committee Recommendations

None

Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)

Financial Assistance Amount: \$2,300,000 with \$1,150,000 as Forgivable Principal

Primary Repayment Source: Water System Revenues

Secondary Repayment Source: None

***ARRA Loan Resolution 2009-054- Arizona American
Water Company
Water Infrastructure Finance Authority of Arizona***

Loan Term: 20 years

Frequency of Repayment: Monthly

Loan Structure: Non-Governmental - ARRA

Debt Service Reserve Fund Requirements: WIFA Held

Repair and Replacement Fund Requirements: Local - Separate Account

Requirements Prior to Loan Execution:

Require Legal Opinion: Yes

Other: Yes - ACC Confirmed Debt Authorization

Requirements Prior to Construction: No Requirement

Requirement During Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category: Not Qualified

Policy Exceptions: None

Section 4: Technical Terms & Conditions (Section 7.2 of Due Diligence)

Observation Schedule: B

Withholding Percentage: 15%

Requirements Prior to Loan Execution: Yes - Provide Approval to Construct

Requirements Prior to Construction: Notify WIFA when construction begins

Prior Review and Approval of Construction Bids: Yes

Require Construction Signs: Yes

The Local Borrower shall erect a construction sign displaying information on the Project and the funding sources. The Authority shall provide specifications for such construction signs.

***ARRA Loan Resolution 2009-054- Arizona American
Water Company
Water Infrastructure Finance Authority of Arizona***

Other: Construction sign must include Recovery Act Logo.

Requirements During Construction:

Prior Review of Changes in Project Scope: Yes

The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Other: No Requirement

Requirements Prior to Final Disbursements:

Require Plan of Operation: Yes

Require Final Approval: Yes

Other: No Requirement

Policy Exceptions: None

Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)

WIFA to generate Press Release: Yes

Other: Yes - ARRA Reporting Requirements

Loan Agreement

between

Water Infrastructure Finance Authority of Arizona
(the "Authority")

and

Arizona-American Water Company
(the "Local Borrower")

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of November 6, 2009

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Borrower:	Arizona-American Water Company
Borrower Mailing Address:	19820 N. 7th Street, #201 Phoenix, Arizona 85024 (623) 445-2414 (623) 445-2451
Attention:	Vice President, Finance & Treasurer
Borrower Business Office Address:	19820 N. 7th Street, #201 Phoenix, Arizona 85024
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	1110 West Washington Street, Suite 290 Phoenix, Arizona 85007
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate

principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of request from time to time.

(b) Except as hereinafter provided, disbursement shall be made only upon certification of an authorized officer of Lender that such disbursement shall approve disbursements in payment of contractors' estimates or other evidence of costs entitled to payment or to Borrower in the case of work already paid, and shall provide Borrower with a copy of the

L/C
Amount

certification of an authorized officer of Lender, approved by the Board of Directors or entities providing services already approved.

(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number 252-453614 maintained with Bank of America. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

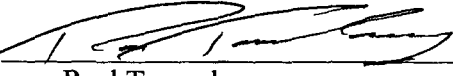
Section 6. Loan And Security Documents. The Loan shall be secured by a Standby Letter of Credit issued to Lender on behalf of Borrower. The initial such Letter of Credit shall be in the amount of \$1,165,000 and shall be delivered to Lender as a condition to the initial Disbursement under the Loan. Borrower shall replace the then-effective Standby Letter of Credit no later than thirty (30) days prior to its expiration, with each subsequent Standby Letter of Credit in an amount equal to the then outstanding principal amount of the Loan plus \$15,000. The form of, and the issuing bank(s) for, the initial Standby Letter of Credit and any subsequent replacement

Standby Letters of Credit shall be satisfactory to Lender in the reasonable exercise of its discretion. Borrower's failure at any time during which any principal amount remains outstanding under the Loan to maintain a Standby Letter of Credit issued to Lender with an expiration date at least thirty days into the future shall constitute an Event of Default under the Loan Documents. The Standby Letters of Credit, Exhibit D to the Loan Agreement Addendum and any other agreements, documents or instruments securing the Loan are referred to as the "Security Documents". This Agreement, the Note, the Security Documents and any other agreements, documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hererof.

DATED as of November 6, 2009.

Arizona-American Water Company

By: 
Name: Paul Townsley
Title: President
Date: Nov 5, 2009

Water Infrastructure Finance Authority of Arizona

By: 
Executive Director

LOAN AGREEMENT ADDENDUM

American Recovery and Reinvestment Act of 2009 (Recovery Act)

Water Infrastructure Finance Authority of Arizona

This document (this "Recovery Act Addendum") sets forth additional requirements applicable to Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") using funds derived in whole or in part from the United States Environmental Protection Agency pursuant to the federal American Recovery and Reinvestment Act of 2009, Public Law 111-5 (the "Recovery Act"). The provisions in this Recovery Act Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

Section 1. Recovery Act Requirements - Failure to Comply is Default Under Loan Agreement.

(a) **General.** The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under the Recovery Act, and that the requirements of the Recovery Act include those set forth in this Recovery Act Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan (including any amount originally designated as the Forgivable Principal Portion), together with interest and fees as provided in the Loan Agreement (including interest and fees at rates adjusted from those originally in effect as described herein).

(b) **Forgivable Principal Portion.** Section 1 of Exhibit A to the Loan Agreement specifies the Total Financial Assistance Amount, the amount, if any, designated as the Forgivable Principal Portion, the Intended Repayment Amount, and the required amount of reserves to be established based upon the Intended Repayment Amount. Section 2 of Exhibit A to the Loan Agreement specifies a schedule of interest and principal payments based on the Intended Repayment Amount. If the Local Borrower fails to comply with the requirements of the Recovery Act, including those set forth in this Recovery Act Addendum:

(i) WIFA will provide a revised Exhibit A for the Loan Agreement to amortize the entire Total Financial Assistance Amount with the Forgivable Principal Portion set to \$0.00, adjusted, as necessary, to incorporate, previous principal payments.

(ii) The Local Borrower will repay the Total Financial Assistance Amount.

(c) **Subsidization of Interest and Fee Rate.** Section 2 of Exhibit A to the Loan Agreement specifies the Combined Interest and Fee Rate ("CIFR") on the Loan, whether that CIFR is further subsidized based on Recovery Act funding, and a schedule of interest and principal payments that, if applicable, is based on the Recovery Act Subsidized CIFR. If the Local Borrower fails to comply with the requirements of the Recovery Act, including those set forth in this Recovery Act Addendum:

(i) WIFA will amortize the loan at a revised CIFR and not the Recovery Act Subsidized CIFR within a revised Exhibit A to the Loan Agreement.

(ii) WIFA will revise the CIFR so that the Local Borrower makes the remaining interest and principal payments as if the Loan had not originally included the Recovery Act Subsidized CIFR.

Section 2. Certifications by Local Borrower; Permission to Share Information.

(a) Statements as Certifications; Reliance. All statements made by the Local Borrower to WIFA in connection with the Loan constitute certifications upon which WIFA is entitled to rely in making and administering the Loan and in making any certifications required of WIFA or any other representative of the State of Arizona under the Recovery Act.

(b) Furtherance of Recovery Act Purposes. The Local Borrower certifies that the Loan and the Project to be financed by the Loan will further the stated purposes of the Recovery Act, including, without limitation, preserving and creating jobs, promoting economic recovery and providing infrastructure that will provide long-term economic benefits.

(c) Construction Start Date; Project Milestones. The Local Borrower agrees that if actual construction work does not begin on each separate project identified by a separate project number for purposes of WIFA's project priority list (whether or not two or more such projects with separate project numbers are combined in a single loan for funding purposes) by the start date for that project number as certified by the Local Borrower for purposes of receiving an award of Recovery Act funds, WIFA's obligation to make disbursements on the Loan will be terminated and the Local Borrower will be obligated to repay all amounts that have been disbursed by WIFA (including any amount designated as the Forgivable Principal Portion), together with interest and fees as provided in the Loan Agreement (with any adjustment in rates as described herein). The Local Borrower agrees that actual construction work must in any event start no later than February 17, 2010, as required by the Recovery Act, or else WIFA will have no obligation to make disbursements on the Loan.

(d) Green Project. The Local Borrower certifies and agrees that the portions of the Project identified by the Local Borrower to WIFA as addressing green infrastructure, water or energy efficiency improvements, or other environmental innovative activities will in fact address those requirements of the Recovery Act.

Section 3. Prohibited Uses of Loan Proceeds. No amounts disbursed as proceeds of the Loan may be used:

(a) for the purchase of land or easements; or

(b) for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool; or

(c) to buy, refinance or restructure the debt obligations of the Local Borrower incurred prior to October 1, 2008.

Section 4. Reports on Use of Funds. The Local Borrower shall provide to WIFA reports and information regarding the Project that are reasonably required in order for WIFA to successfully meet the reporting requirements of the Recovery Act. The Local Borrower shall provide the information in the form and with the frequency specified by WIFA for that purpose.

Section 5. Buy American. In accordance with Section 1605 of the Recovery Act, all of the iron, steel and manufactured goods used in the Project must be produced in the United States, and the Local Borrower shall include this requirement and certifications in all bid specifications, construction contracts and purchase orders for the Project. The Recovery Act provides that this requirement shall not apply to the extent a waiver of this requirement is in effect pursuant to a finding by the Administrator of the United States Environmental Protection Agency published in the Federal Register in accordance with the Recovery Act to the effect that (1) applying the requirement would be inconsistent with the public interest; (2) iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or (3) inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.

Section 6. Wage Rate Requirements. All laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code. The Local Borrower shall include this requirement in all bid specifications, construction contracts and purchase orders for the Project.

Section 7. General Provisions.

(a) **Binding Effect.** This Recovery Act Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) **Severability.** In the event any provision of this Recovery Act Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) **Amendments, Supplements and Modifications.** This Recovery Act Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) **Execution in Counterparts.** This Recovery Act Addendum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(e) **Applicable Law.** This Recovery Act Addendum shall be governed by and construed in accordance with the laws of the State of Arizona.

(f) Captions. The captions or headings in this Recovery Act Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this Recovery Act Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA , authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Recovery Act Addendum.

(h) Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes.

(i) Notice Regarding A.R.S. § 38-511. To the extent applicable by provision of law, the parties acknowledge that this Recovery Act Addendum is subject to cancellation pursuant to A.R.S. § 38-511, the provisions of which are hereby incorporated herein.

[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this Recovery Act Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: Judy Navarrete
Judy Navarrete, Executive Director

Arizona-American Water Company

By: Paul Townsley
Paul Townsley, President

Date: Nov 5, 2009

[Signature page to Recovery Act Addendum to Loan Agreement]

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions

Arizona-American Water Company

04-Nov-09

Loan Number..... 92A162-10

Closing Date..... 11/06/09

Financial Assistance Terms and Conditions

Original Loan Amount as of the Closing Date..... \$2,300,000.00

Forgivable Principal Amount..... \$1,150,000.00

Loan Term..... 20

Combined Interest & Fee Rate 3.938%

First Fixed Monthly Payment..... 06/01/10

Final Fixed Monthly Payment..... 11/01/29

Monthly Payment

Period #7 - 1st Debt Service Payment

Maximum Payment (Includes interest payable from Closing to 1st Payment)..... \$ 29,062.84

WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.

Periods #8 through #66..... \$ 7,048.33

Periods #67 through #120..... \$ 7,048.33

Periods #121 through #180..... \$ 7,048.33

Periods #181 through #240..... \$ 7,048.33

Periods #241 through #300..... \$ -

Periods #301 through #360..... \$ -

Section 2: Loan Repayment Schedule, Repayment Periods 1 through 80
Arizona-American Water Company
04-Nov-09

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
1	12/01/09	3.938%	0.00	41	04/01/13	3.938%	7,048.33
2	01/01/10	3.938%	0.00	42	05/01/13	3.938%	7,048.33
3	02/01/10	3.938%	0.00	43	06/01/13	3.938%	7,048.33
4	03/01/10	3.938%	0.00	44	07/01/13	3.938%	7,048.33
5	04/01/10	3.938%	0.00	45	08/01/13	3.938%	7,048.33
6	05/01/10	3.938%	0.00	46	09/01/13	3.938%	7,048.33
7	06/01/10	3.938%	29,062.84	47	10/01/13	3.938%	7,048.33
8	07/01/10	3.938%	7,048.33	48	11/01/13	3.938%	7,048.33
9	08/01/10	3.938%	7,048.33	49	12/01/13	3.938%	7,048.33
10	09/01/10	3.938%	7,048.33	50	01/01/14	3.938%	7,048.33
11	10/01/10	3.938%	7,048.33	51	02/01/14	3.938%	7,048.33
12	11/01/10	3.938%	7,048.33	52	03/01/14	3.938%	7,048.33
13	12/01/10	3.938%	7,048.33	53	04/01/14	3.938%	7,048.33
14	01/01/11	3.938%	7,048.33	54	05/01/14	3.938%	7,048.33
15	02/01/11	3.938%	7,048.33	55	06/01/14	3.938%	7,048.33
16	03/01/11	3.938%	7,048.33	56	07/01/14	3.938%	7,048.33
17	04/01/11	3.938%	7,048.33	57	08/01/14	3.938%	7,048.33
18	05/01/11	3.938%	7,048.33	58	09/01/14	3.938%	7,048.33
19	06/01/11	3.938%	7,048.33	59	10/01/14	3.938%	7,048.33
20	07/01/11	3.938%	7,048.33	60	11/01/14	3.938%	7,048.33
21	08/01/11	3.938%	7,048.33	61	12/01/14	3.938%	7,048.33
22	09/01/11	3.938%	7,048.33	62	01/01/15	3.938%	7,048.33
23	10/01/11	3.938%	7,048.33	63	02/01/15	3.938%	7,048.33
24	11/01/11	3.938%	7,048.33	64	03/01/15	3.938%	7,048.33
25	12/01/11	3.938%	7,048.33	65	04/01/15	3.938%	7,048.33
26	01/01/12	3.938%	7,048.33	66	05/01/15	3.938%	7,048.33
27	02/01/12	3.938%	7,048.33	67	06/01/15	3.938%	7,048.33
28	03/01/12	3.938%	7,048.33	68	07/01/15	3.938%	7,048.33
29	04/01/12	3.938%	7,048.33	69	08/01/15	3.938%	7,048.33
30	05/01/12	3.938%	7,048.33	70	09/01/15	3.938%	7,048.33
31	06/01/12	3.938%	7,048.33	71	10/01/15	3.938%	7,048.33
32	07/01/12	3.938%	7,048.33	72	11/01/15	3.938%	7,048.33
33	08/01/12	3.938%	7,048.33	73	12/01/15	3.938%	7,048.33
34	09/01/12	3.938%	7,048.33	74	01/01/16	3.938%	7,048.33
35	10/01/12	3.938%	7,048.33	75	02/01/16	3.938%	7,048.33
36	11/01/12	3.938%	7,048.33	76	03/01/16	3.938%	7,048.33
37	12/01/12	3.938%	7,048.33	77	04/01/16	3.938%	7,048.33
38	01/01/13	3.938%	7,048.33	78	05/01/16	3.938%	7,048.33
39	02/01/13	3.938%	7,048.33	79	06/01/16	3.938%	7,048.33
40	03/01/13	3.938%	7,048.33	80	07/01/16	3.938%	7,048.33

Section 2: Loan Repayment Schedule, Repayment Periods 81 through 160
Arizona-American Water Company
04-Nov-09

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
81	08/01/16	3.938%	7,048.33	121	12/01/19	3.938%	7,048.33
82	09/01/16	3.938%	7,048.33	122	01/01/20	3.938%	7,048.33
83	10/01/16	3.938%	7,048.33	123	02/01/20	3.938%	7,048.33
84	11/01/16	3.938%	7,048.33	124	03/01/20	3.938%	7,048.33
85	12/01/16	3.938%	7,048.33	125	04/01/20	3.938%	7,048.33
86	01/01/17	3.938%	7,048.33	126	05/01/20	3.938%	7,048.33
87	02/01/17	3.938%	7,048.33	127	06/01/20	3.938%	7,048.33
88	03/01/17	3.938%	7,048.33	128	07/01/20	3.938%	7,048.33
89	04/01/17	3.938%	7,048.33	129	08/01/20	3.938%	7,048.33
90	05/01/17	3.938%	7,048.33	130	09/01/20	3.938%	7,048.33
91	06/01/17	3.938%	7,048.33	131	10/01/20	3.938%	7,048.33
92	07/01/17	3.938%	7,048.33	132	11/01/20	3.938%	7,048.33
93	08/01/17	3.938%	7,048.33	133	12/01/20	3.938%	7,048.33
94	09/01/17	3.938%	7,048.33	134	01/01/21	3.938%	7,048.33
95	10/01/17	3.938%	7,048.33	135	02/01/21	3.938%	7,048.33
96	11/01/17	3.938%	7,048.33	136	03/01/21	3.938%	7,048.33
97	12/01/17	3.938%	7,048.33	137	04/01/21	3.938%	7,048.33
98	01/01/18	3.938%	7,048.33	138	05/01/21	3.938%	7,048.33
99	02/01/18	3.938%	7,048.33	139	06/01/21	3.938%	7,048.33
100	03/01/18	3.938%	7,048.33	140	07/01/21	3.938%	7,048.33
101	04/01/18	3.938%	7,048.33	141	08/01/21	3.938%	7,048.33
102	05/01/18	3.938%	7,048.33	142	09/01/21	3.938%	7,048.33
103	06/01/18	3.938%	7,048.33	143	10/01/21	3.938%	7,048.33
104	07/01/18	3.938%	7,048.33	144	11/01/21	3.938%	7,048.33
105	08/01/18	3.938%	7,048.33	145	12/01/21	3.938%	7,048.33
106	09/01/18	3.938%	7,048.33	146	01/01/22	3.938%	7,048.33
107	10/01/18	3.938%	7,048.33	147	02/01/22	3.938%	7,048.33
108	11/01/18	3.938%	7,048.33	148	03/01/22	3.938%	7,048.33
109	12/01/18	3.938%	7,048.33	149	04/01/22	3.938%	7,048.33
110	01/01/19	3.938%	7,048.33	150	05/01/22	3.938%	7,048.33
111	02/01/19	3.938%	7,048.33	151	06/01/22	3.938%	7,048.33
112	03/01/19	3.938%	7,048.33	152	07/01/22	3.938%	7,048.33
113	04/01/19	3.938%	7,048.33	153	08/01/22	3.938%	7,048.33
114	05/01/19	3.938%	7,048.33	154	09/01/22	3.938%	7,048.33
115	06/01/19	3.938%	7,048.33	155	10/01/22	3.938%	7,048.33
116	07/01/19	3.938%	7,048.33	156	11/01/22	3.938%	7,048.33
117	08/01/19	3.938%	7,048.33	157	12/01/22	3.938%	7,048.33
118	09/01/19	3.938%	7,048.33	158	01/01/23	3.938%	7,048.33
119	10/01/19	3.938%	7,048.33	159	02/01/23	3.938%	7,048.33
120	11/01/19	3.938%	7,048.33	160	03/01/23	3.938%	7,048.33

Section 2: Loan Repayment Schedule, Periods 161 through 240
Arizona-American Water Company
04-Nov-09

Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment	Period	Monthly Payment Dates	Combined Interest and Fee Rate	Fixed Monthly Payment
161	04/01/23	3.938%	7,048.33	201	08/01/26	3.938%	7,048.33
162	05/01/23	3.938%	7,048.33	202	09/01/26	3.938%	7,048.33
163	06/01/23	3.938%	7,048.33	203	10/01/26	3.938%	7,048.33
164	07/01/23	3.938%	7,048.33	204	11/01/26	3.938%	7,048.33
165	08/01/23	3.938%	7,048.33	205	12/01/26	3.938%	7,048.33
166	09/01/23	3.938%	7,048.33	206	01/01/27	3.938%	7,048.33
167	10/01/23	3.938%	7,048.33	207	02/01/27	3.938%	7,048.33
168	11/01/23	3.938%	7,048.33	208	03/01/27	3.938%	7,048.33
169	12/01/23	3.938%	7,048.33	209	04/01/27	3.938%	7,048.33
170	01/01/24	3.938%	7,048.33	210	05/01/27	3.938%	7,048.33
171	02/01/24	3.938%	7,048.33	211	06/01/27	3.938%	7,048.33
172	03/01/24	3.938%	7,048.33	212	07/01/27	3.938%	7,048.33
173	04/01/24	3.938%	7,048.33	213	08/01/27	3.938%	7,048.33
174	05/01/24	3.938%	7,048.33	214	09/01/27	3.938%	7,048.33
175	06/01/24	3.938%	7,048.33	215	10/01/27	3.938%	7,048.33
176	07/01/24	3.938%	7,048.33	216	11/01/27	3.938%	7,048.33
177	08/01/24	3.938%	7,048.33	217	12/01/27	3.938%	7,048.33
178	09/01/24	3.938%	7,048.33	218	01/01/28	3.938%	7,048.33
179	10/01/24	3.938%	7,048.33	219	02/01/28	3.938%	7,048.33
180	11/01/24	3.938%	7,048.33	220	03/01/28	3.938%	7,048.33
181	12/01/24	3.938%	7,048.33	221	04/01/28	3.938%	7,048.33
182	01/01/25	3.938%	7,048.33	222	05/01/28	3.938%	7,048.33
183	02/01/25	3.938%	7,048.33	223	06/01/28	3.938%	7,048.33
184	03/01/25	3.938%	7,048.33	224	07/01/28	3.938%	7,048.33
185	04/01/25	3.938%	7,048.33	225	08/01/28	3.938%	7,048.33
186	05/01/25	3.938%	7,048.33	226	09/01/28	3.938%	7,048.33
187	06/01/25	3.938%	7,048.33	227	10/01/28	3.938%	7,048.33
188	07/01/25	3.938%	7,048.33	228	11/01/28	3.938%	7,048.33
189	08/01/25	3.938%	7,048.33	229	12/01/28	3.938%	7,048.33
190	09/01/25	3.938%	7,048.33	230	01/01/29	3.938%	7,048.33
191	10/01/25	3.938%	7,048.33	231	02/01/29	3.938%	7,048.33
192	11/01/25	3.938%	7,048.33	232	03/01/29	3.938%	7,048.33
193	12/01/25	3.938%	7,048.33	233	04/01/29	3.938%	7,048.33
194	01/01/26	3.938%	7,048.33	234	05/01/29	3.938%	7,048.33
195	02/01/26	3.938%	7,048.33	235	06/01/29	3.938%	7,048.33
196	03/01/26	3.938%	7,048.33	236	07/01/29	3.938%	7,048.33
197	04/01/26	3.938%	7,048.33	237	08/01/29	3.938%	7,048.33
198	05/01/26	3.938%	7,048.33	238	09/01/29	3.938%	7,048.33
199	06/01/26	3.938%	7,048.33	239	10/01/29	3.938%	7,048.33
200	07/01/26	3.938%	7,048.33	240	11/01/29	3.938%	7,046.66

Exhibit B

Technical Terms and Conditions

Section 1 Budget

Uses by Budget Item	Amount Budgeted
Planning.....	\$108,000.00
Design & Engineering.....	\$242,000.00
Legal/Debt Authorization.....	\$0.00
Financial Advisor.....	\$0.00
Land/System Acquisition.....	\$30,000.00
Equipment/Materials.....	\$225,000.00
Construction/Installation/Improvement.....	\$836,300.00
Inspection & Construction Management.....	\$64,500.00
Project Officer.....	\$155,000.00
Administration.....	\$133,000.00
Staff Training.....	\$17,700.00
Capitalized Interest.....	\$138,500.00
Refinance Loan.....	\$0.00
Other.....	\$350,000.00
Total Budget.....	\$2,300,000.00

Section 2 Project Description

Tubac Water will treat the water from Well 4 and Well 5 to comply with the EPA limit and no longer use the other wells that are in excess of the limit. Arsenic removal vessels using iron absorption media will be installed at Well 5 while the water from Well 4 will be piped to Well 5 through an existing transmission line. A new transmission line will be constructed to carry the treated water back into the distribution system. The treatment capacity of the iron absorption vessels will be 500 gallons per minute.

Section 3 Estimated Observation and Disbursement Schedule

WIFA Withholding % (released after Final Observation) 15%

Observation 1:	50 %	Loan Disbursal	\$	1,150,000.00
Final Observation:	85 %	Loan Disbursal	\$	1,955,000.00
WIFA Withholding			\$	345,000.00

Additional Observations – A WIFA representative may perform additional observations based on information provided in the projects status reports included in each Local Borrower disbursement requisition form.

Section 4 Requirements Prior To Construction

Section 4.1 **Construction Bids.** The Local Borrower shall submit to the Authority for review and approval prior to execution:

- (a) engineering contracts related to the Project,
- (b) bid documents related to the Project,
- (c) construction contracts related to the Project, and
- (d) certification of positive effort for disadvantaged business enterprise participation.

Section 4.2 **User Charges.** The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

Section 4.3 **Interest in Project Site.** As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

Section 4.4 **Federal Clean Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.5 **Federal Safe Drinking Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 **Signs.** The Local Borrower shall erect a construction sign displaying information on the Project and the funding sources. The Authority shall provide specifications for such construction signs. Construction signs must include the Recovery Act Logo.

Section 5 Requirements During Construction

Section 5.1 **Changes in Project Scope.** The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 5.2 **Completion of Project and Provision of Moneys Therefor.** The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 **Inspections; Information.** The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 **Adjustments for Ineligible Costs.** The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be

promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Section 6

Requirements Prior To Final Disbursements

Section 6.1 **Plan of Operation**. After construction is 50% complete and prior to the release of the withholding, the Local Borrower will submit to the Authority a plan of operation which provides a concise, sequential description of an implementation schedule for those activities necessary to assure efficient and reliable start-up and continual operation of the Project.

Section 6.2 **Final Approval**. Prior to the release of the withholding, the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review.** Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and the Single Audit Act of 1984 and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). To the extent required by law, such System Records shall be maintained in accordance with generally accepted government or other applicable accounting standards and shall be audited annually, if required by law, by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. Such System Records and General Records shall be made available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel.** Promptly after becoming aware thereof, with respect to the Project, the Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the Project and Loan (limited to positions of (i) President, (ii) VP, Finance and Treasurer and (iii) VP, Operations).

Section 4. **Notice of Material Adverse Change.** The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **Disadvantaged Business Enterprise (DBE) Program.** The Local Borrower must report DBE participation to the Authority based on guidance from the Authority.

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure of the Local Borrower to give such notice

shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Non-Environmental Litigation.** Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 8. **Notice of Environmental Litigation.** Without limiting the provisions of Section 7 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Regulatory and Other Notices.** Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 10. **Other Information.** The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 11. **Additional Reporting Requirements.** The Local Borrower shall refer to the Recovery Act Loan Agreement Addendum for additional reporting requirements.

Exhibit D

No Debt Service Reserve Or Replacement Reserve Required

Exhibit E

Limits On Additional Indebtedness Without Lender Consent

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower shall not:

(a) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, for the deferred purchase price of property or services, or for the lease of real or personal property which lease is required to be capitalized under GAAP or which is treated as an operating lease under regulations applicable to the Borrower but which otherwise would be required to be capitalized under GAAP (a "Capital Lease"), except for (i) accounts payable to trade creditors and current operating liabilities (other than for borrowed money) incurred in the ordinary course of Borrower's business, and (ii) Capital Leases, the aggregate amount of which exceeds at any one time exceeding, in the aggregate, an amount equal to one percent (1%) of Borrower's total Property, Plant and Equipment.

(b) Leases. Create, incur, assume, or permit to exist any obligations as lessee for the rental or hire of any real or personal property, except leases which do not in the aggregate require Borrower to make payments (including, without limitation, taxes, insurance maintenance, and other charges) in any fiscal year of Borrower occurring during the term hereof in excess of \$100,000.00.

(c) Arizona-American Water Company: Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, to any owner of the Arizona-American Water Company the aggregate amount of which exceeds at any one time \$100,000.00, or any such liability to any one member, regardless of amount, without such member consenting to, through the execution and delivery to WIFA of, the Subordination Agreement included in these loan documents.

Exhibit F
PROMISSORY NOTE

\$2,300,000.00

Phoenix, Arizona
November 6, 2009

For Value Received, Arizona-American Water Company ("Borrower"), promise to pay to WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") or order the aggregate principal amount outstanding on Borrower's loan as shown on Lender's records which shall at all times be conclusive and govern, with interest thereon at an annual rate equal to three and ninety tenths and three hundredths and eighty thousands of one percent (3.938%). Interest shall be calculated on a 360-day year for all advances, but, in any case, shall be computed for the actual number of days in the period for which interest is charged. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement (as hereinafter defined).

Lender and Borrower have established specific instructions and procedures by which draws against said credit will be presented for disbursement pursuant to the terms and conditions of that certain Loan Agreement of even date herewith (the "Loan Agreement"), but nothing contained herein shall create a duty on the part of Lender to make said disbursement if Borrower is in default. The undersigned shall not be entitled to total disbursements hereunder exceeding two million three hundred thousand and 00/100 dollars (\$2,300,000.00), such lesser amount determined in accordance with the Loan Agreement with respect to the Loan (as defined in the Loan Agreement).

All amounts payable hereunder shall be paid in lawful money of the United States. Principal and interest shall be payable at 1110 West Washington, Suite 290, Phoenix, Arizona 85007, or at such other place as the holder hereof may designate. Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty pursuant to Section 1(a) of the Standard Terms and Conditions relating to the Loan.

Absent a default under this Note or the Loan Agreement, any payments received by the holder hereof shall be applied first to sums, other than principal and interest, due the holder hereof, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by the holder hereof after any Event of Default (as defined in the Loan Agreement) shall be applied to the amounts specified in this paragraph in such order as the holder hereof may, in its sole discretion, elect.

If any payment of interest and/or principal is not received by the holder hereof when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at an annual rate equal to the sum of (i) six percent (6%) and (ii) the interest rate specified herein, payable on demand (the "Default Rate").

This Note shall become immediately due and payable at the option of the holder hereof without presentment or demand or any notice to Borrower or any other person obligated hereon, upon default

in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or condition exists which authorizes the acceleration of the maturity hereof under the Loan Agreement. Time is of the essence with regard to all payment obligations in this Note. Failure to exercise any remedy or right hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.

In the event any holder hereof utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to such holder hereof, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.

Borrower and all sureties, endorsers and guarantors of this Note waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.

Notwithstanding any provision contained herein to the contrary, the applicable rate of interest agreed to herein shall include the applicable interest rate described herein, in accordance with the terms of this Note, and any additional charges, costs and fees incident to this loan to the extent they are deemed to be interest under applicable Arizona law. Should the applicable rate of interest as calculated under this Note exceed that allowed by law, the applicable rate of interest will be the maximum rate of interest allowed by applicable law.

Arizona-American Water Company

By 

Name: Paul Townsley

Title: President

Date: Nov 5, 2009

"Borrower"



Martin J. Stanek
19820 N 7th Street
Suite 201
Phoenix, AZ 85024

P 623.445.2427
F 623.445.2451

November 6, 2009

Water Infrastructure Finance Authority of Arizona
Attention: Executive Director
1110 West Washington, Suite 290
Phoenix, Arizona 85007

Re: Loan in the Maximum Principal Amount of \$2,300,000 re: Project Number DW 115-2009 (the "Loan") from Water Infrastructure Finance Authority of Arizona ("Lender") to Arizona-American Water Company, an Arizona corporation ("Borrower")

Ladies and Gentlemen:

I am Corporate Counsel to, and Assistant Secretary of, Borrower and have acted as counsel to Borrower in connection with the Loan evidenced by the Loan Documents (as that term is defined below). This opinion letter is being furnished to you at the request of Borrower pursuant to section 2(a)(iv) of the Loan Agreement Standard Terms and Conditions. Capitalized terms used and not otherwise defined in this letter have the meanings given them in the Loan Documents.

For purposes of this opinion letter, I have examined such questions of law and fact as I have deemed it necessary or appropriate, and have examined originals, or copies certified or otherwise identified to my satisfaction, of the following documents, all dated of even date with this letter unless otherwise indicated (collectively, the "Loan Documents"):

- (a) that certain Loan Agreement between Lender and Borrower, including Exhibits A through H, inclusive, and the Loan Agreement Standard Terms and Conditions;
- (b) that certain Loan Agreement Addendum;
- (c) that certain Promissory Note in the maximum principal amount of \$2,300,000 executed by Borrower and payable to Lender; and
- (d) that certain Cash Collateral Agreement between Lender and Borrower.

I have assumed that there are no agreements or understandings among the parties, written or oral, and there is no usage of trade or course of prior dealing between the parties, that would, in either case, define, supplement or qualify the terms of the Loan Documents.

In addition, I have reviewed the proceedings of Borrower in connection with the authorization, execution and delivery of the Loan Documents and have examined such other documents, including documents filed with or by the Arizona Corporation Commission, questions of law and other matters as I have considered necessary as a basis for the opinions hereinafter expressed.

In my examination, I have assumed the validity and genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity with the originals (and the authenticity of such originals) of all documents submitted to me as copies and the accuracy and completeness of all documents submitted to me. As to various factual matters, I have assumed the accuracy, completeness and genuineness of, and have relied on, (i) the representations of the various parties in the Loan Documents, (ii) oral and written representations and assurances made to me by officers and other representatives of Borrower, and (iii) as to certain matters, certificates of public officials.

In rendering the opinions herein, I also have assumed that (i) Lender is validly existing under the laws of the jurisdiction governing its organization, has duly authorized, executed and delivered each of the Loan Documents to which it is a party, and has the statutory power and authority to do so and to perform its obligations under each such Loan Document; (ii) all persons acting on behalf of Lender or signing any of the Loan Documents on behalf of Lender have the authority to do so; (iii) Lender has complied with all legal requirements pertaining to its status as such status relates to its rights to enforce the Loan Documents against Borrower; (iv) each of the Loan Documents to which Lender is a party constitutes the legal, valid and binding obligation of Lender, enforceable against Lender in accordance with its terms; (v) no consent, approval, authorization, declaration or filing by or with any governmental commission, board or agency is required for the valid execution and delivery by any of the parties to the Loan Documents, except for approval of the Loan by Lender and the Arizona Corporation Commission; (vi) each natural person signing any of the Loan Documents has sufficient legal capacity to do so; (vii) Lender has acted and will act in good faith and will seek to enforce its rights and remedies under the Loan Documents in a lawful, commercially reasonable manner, in good faith and in compliance with its fiduciary duties and the terms of the Loan Documents; (viii) the Loan complies with all tests of good faith, fairness and conscionability required by law; (ix) there has not been any mutual mistake of fact or misunderstanding, fraud, duress or undue influence; and (x) the laws of the State of Arizona will govern the interpretation, construction and enforcement of the Loan Documents.

Whenever a statement herein is based on my knowledge, it is intended to indicate that no information that would give me current actual knowledge of the inaccuracy of such statement has come to my attention; no constructive or imputed knowledge is within the coverage of any such opinion. Additionally, any investigation or review I have undertaken to determine the accuracy of such statement has been confined to those employees of Borrower I have deemed to be appropriate. No further inference as to my knowledge of any matters bearing on the accuracy of such statement should be drawn from the fact of my representation of Borrower.

Based upon the foregoing, and subject to the qualifications and limitations set forth below, it is my opinion that:

1. Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the State of Arizona.
2. Borrower has the requisite corporate power and authority to own and operate its properties and assets as such properties and assets are currently owned, to carry out its business as such business is presently conducted, and to carry out the terms and conditions applicable to it under the Loan Documents. The execution, delivery and performance of the Loan Documents by Borrower have been duly authorized by all requisite corporate action on the part of Borrower and the Loan Documents have been duly executed and delivered by Borrower.
3. To my knowledge, there are no actions or proceedings against Borrower, pending or overtly threatened in writing, before any court, regulatory body, administrative agency or other governmental instrumentality, or before any other adjudicative tribunal (including any arbitration panel), which (i) assert the invalidity of any of the Loan Documents, (ii) seek to prevent the consummation of any of the transactions contemplated by any of the Loan Documents, or (iii) properties or assets of Borrower or the performance by Borrower of its obligations under, or the validity or enforceability of, any of the Loan Documents. In rendering this opinion, I conducted an examination of the records of the filings in the Superior Court of the State of Arizona and the United States District Court for the District of Arizona, but I did not conduct an independent search of the files or records of any other court, regulatory body, administrative agency, other governmental instrumentality or adjudicative tribunal.
4. Based upon my review of those statutes, rules, regulations and judicial decisions which in my experience are normally applicable to or normally relevant in connection with transactions of the type provided for in the Loan Documents, the execution and delivery of the Loan Documents by Borrower and consummation by Borrower of the transactions contemplated by the Loan Documents will not conflict with or result in a violation of any applicable law or rule affecting Borrower. I express no opinion, however, in this paragraph as to any contravention of statute or regulation which (i) does not have any material adverse effect on Borrower and does not deprive Lender of any material benefit under the Loan Documents, (ii) can be readily cured without significant delay or expense to Lender, without loss to Lender of any material rights under the Loan Documents and without any material adverse effect on Lender during the period of such violations, or (iii) results from the legal or regulatory status or any other facts specifically pertaining to Lender.
5. No consent, approval, authorization or other action by, or filing with, any federal or Arizona state authority is required in connection with the execution and delivery by Borrower of the Loan Documents and the consummation by Borrower of the transactions contemplated by the Loan Documents which has not been obtained or made, except the filing of the executed Loan Documents with the Commission following the closing of the Loan.

6. The execution and delivery of the Loan Documents by Borrower and consummation by Borrower of the transactions contemplated by the Loan Documents will not conflict with nor result in a violation of Borrower's Articles of Incorporation or Bylaws.

7. Based solely upon my knowledge and a review of judgments, orders and decrees disclosed by a search of the records of the Superior Court of Arizona and the United States District Court for the District of Arizona for the past five years, the execution and delivery of the Loan Documents by Borrower and consummation by Borrower of the transactions contemplated by the Loan Documents will not conflict with nor result in a violation of any judgment, order or decree of any court or governmental agency to which Borrower is a party or by which it is bound.

8. To my knowledge, the execution and delivery of the Loan Documents by Borrower and consummation by Borrower of the transactions contemplated by the Loan Documents will not conflict with nor result in a violation of any contract, indenture, instrument or other agreement to which Borrower is a party or by which it is bound.

9. Each of the Loan Documents to which Borrower is a party has been duly executed and delivered by Borrower and constitutes a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with the terms thereof.

The opinions set forth above are subject to the following qualifications and limitations:

(a) The enforceability of the Loan Documents are subject to and limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally and is further subject to the exercise of judicial discretion and principles of equity, regardless of whether enforcement is considered in proceedings at law or in equity, and to the discretion of the court before which any proceeding regarding the Loan Documents, or any of them, may be brought;

(b) I express no opinion herein on the enforceability of any provision relating to choice of law, consent to jurisdiction, service of process, waiver of trial by jury or which require that provisions of the Loan Documents may be amended or waived only in writing or pursuant to which Borrower is asked to waive rights granted to it under applicable law or which purports to exculpate any party from its own negligent acts or limit any party from certain liabilities. I bring your attention to the fact that, under applicable law, Lender may be required to act in good faith and in a commercially reasonable manner, in exercising any of its rights or remedies under the Loan Documents;

(c) I express no opinion as to the application or requirements of (i) any state or federal anti-trust, unfair competition, patent, trademark, copyright, environmental, zoning, health and safety, pension or employee benefit or tax laws or regulations,

(ii) any securities laws and regulations, or (iii) any laws and regulations concerning filing and notice requirements;

(d) I express no opinion as to the condition or state of title to any property described in, or the priority of any lien or security interest created by, any of the Loan Documents; and

(e) Under certain circumstances, the availability of a remedy may be limited or precluded where another remedy has been selected, notwithstanding any provision of the Loan Documents to the contrary.

I am a member of the bar of the Commonwealth of Pennsylvania and am admitted to the State Bar of Arizona in my capacity as in-house counsel to Borrower and, on that basis, am qualified to practice law in the State of Arizona. I do not purport to be an expert on, or to express any opinion concerning, any law other than the law of the State of Arizona. I have not considered and express no opinion on the laws of other jurisdictions, including federal law; I have assumed compliance with all such laws.

The opinions expressed in this letter are limited to the specific issues addressed herein and is limited in all respects to laws and interpretations thereof in effect on the date hereof. I assume no obligation to update, revise or supplement this letter or any of the opinions expressed herein to reflect, or otherwise advise Lender of, any facts or circumstances which may hereafter come to my attention or any changes in facts, circumstances or law which may hereafter occur.

This opinion is being furnished to Lender solely for Lender's benefit and only with respect to the transactions contemplated by the Loan Documents. Accordingly, it may not be relied upon by Lender for any other purpose or assigned or circulated to, relied upon or quoted by any other person or entity for any purpose whatsoever.

Very truly yours,



Martin J. Stanek
Corporate Counsel to
Arizona-American Water Company

Exhibit H
Borrower Disclosure

1. Exception(s) to Subsection 3(e) of the Standard Terms and Conditions entitled "Compliance with Laws": (borrower to insert exceptions or "None")

Borrower's Tubac, Arizona water system does not currently meet the federal arsenic standard for drinking water. The Project is being undertaken to enable AAW to comply with that standard.

2. Exception(s) to Subsection 3(f) of the Standard Terms and Conditions entitled "Environmental Compliance": (borrower to insert exceptions or "None")

Borrower's Tubac, Arizona water system does not currently meet the federal arsenic standard for drinking water. The Project is being undertaken to enable AAW to comply with that standard.

3. Exception(s) to Subsection 3(g) of the Standard Terms and Conditions entitled "Litigation": (borrower to insert exceptions or "None")

None

4. Exception(s) to Subsection 3(h) of the Standard Terms and Conditions entitled "Title to Property": (borrower to insert exceptions or "None")

None

5. Exception(s) to Subsection 3(k) of the Standard Terms and Conditions entitled "Subsidiaries": (insert exceptions or "None")

None

Arizona-American Water Company

By: 

Name: Paul Townsley

Title: President

Date: November 6, 2009

LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

This document sets forth the Standard Terms and Conditions applicable to Loans made by the Water Infrastructure Finance Authority of Arizona the ("Lender") to a Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

Section 1. Repayment; Prepayment.

(a) Loan Repayment Schedule. Borrower shall pay to Lender the amounts shown in the Loan repayment schedule in Exhibit A hereto on or before the dates shown in Exhibit A as the same may be adjusted as provided below to reflect the revised principal repayment schedule of the Loan. At the expiration of the Commitment, if the total amount of the Advances is less than the maximum Loan Amount, the amount of each principal installment due as set forth in the Loan repayment schedule contained in Exhibit A shall be adjusted based on (A) the principal balance then outstanding, (B) the amortization schedule as provided in Exhibit A and (C) the Combined Interest and Fee Rate. Upon such adjustment, Lender shall compute the adjusted interest payment amounts for each Interest Payment Date to reflect the adjusted principal amounts and shall enter the results in the Loan repayment schedule and furnish the revised schedule to Borrower.

(b) Prepayment. Borrower may prepay the Loan, in whole, or in part at any time without premium or penalty. Prepayment shall not alter the repayment schedule except to the extent that the final principal repayment date and the final interest repayment date shall be affected thereby.

(c) Application of Payments. Absent a default under the Note or this Agreement, any payments received by Lender shall be applied first to sums, other than principal and interest, due Lender under the Note or this Agreement, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal. Any payments received by Lender after any Event of Default shall be applied to the amounts specified in this paragraph in such order as Lender may, in its sole discretion, elect.

(d) Late Payments. If any payment of interest and/or principal is not received by Lender when such payment is due, then, as additional remedies, (a) a late charge of six percent (6%) of the amount due and unpaid will be added to the delinquent amount for any payment past due in excess of fifteen (15) days and (b) all past due payments of principal and/or interest shall bear interest from their due date until paid at the annual rate equal to the sum of (i) six percent (6%) and (ii) the Interest Rate specified in Exhibit A, payable on demand.

(e) Calculations of Interest. Interest shall be calculated on the actual number of days each Advance is outstanding on the basis of a year consisting of 360 days. In calculating interest, the date each Advance is made shall be included and the date each such Advance is repaid shall be excluded.

(f) Payment on Maturity Date. On the final Principal Repayment Date, Borrower shall make one (1) final payment of principal, accrued and unpaid interest, and all other amounts due and payable hereunder and under all of the Loan Documents.

Section 2. Conditions Precedent.

(a) Conditions Precedent to Initial Advance. This Agreement and Lender's obligation to make the initial Advance shall become effective only upon satisfaction, at Borrower's sole cost and expense, of the following conditions precedent, as determined by Lender in its absolute and sole discretion on or before the date of such Advance:

(i) Loan Documents. That Lender receive duly executed originals of this Agreement, the Note, the initial Standby Letter of Credit and all other instruments and documents contemplated hereby.

(ii) Company Existence and Authorization. That Lender receive copies of (A) all company resolutions, documents and proceedings of Borrower authorizing the execution, delivery, and performance of the Loan Documents to which it is a party, certified to be true and correct by the Secretary of Borrower; (B) Borrower's Articles of Incorporation or other organizational documents, with all amendments certified by the Arizona Corporation Commission; (C) certificate as to Borrower's good standing from the Arizona Corporation Commission and (D) Borrower's Bylaws or similar documents with all amendments certified by the Secretary of Borrower.

(iii) Approvals. That Lender receive evidence satisfactory to it that all consents and approvals which are necessary for, or required as a condition of, the validity and enforceability of the Loan Documents have been obtained and are in full force and effect.

(iv) Opinion of Counsel. That Lender receive an opinion of counsel for Borrower (who shall be acceptable to Lender) in form and content acceptable to Lender.

(v) Perfection and Priority of Liens. That Lender receive evidence satisfactory to it that Lender has, as of the date of the initial Advance, a duly perfected security interest on all security provided for herein.

(vi) Permits. That Lender receive evidence satisfactory to it that Borrower possesses all necessary operating permits, authorizations, approvals, and the like for the Project which are material to the conduct of Borrower's business or which may otherwise be required by law.

(vii) Fees, Expenses. That Borrower pay the costs and expenses to obtain, perfect and determine the priority of any security hereof. Further, if all costs and expenses of this transaction are not known at the time of the initial advance, Borrower agrees to pay such costs and expenses upon demand.

(viii) Insurance. That Lender receive evidence of insurance in such amount and covering such risks as are usually carried by companies engaged in the same or similar business.

(b) Advances Generally. Lender's obligation to make each Advance hereunder, including the initial Advance, is subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance:

(i) Event of Default. That no Event of Default (as that term is defined in Section 6 hereof) exists, and that there has occurred no event which with the passage of time or the giving of notice, or both, could become an Event of Default (a "Default").

(ii) Continuing Representations and Warranties. That the representation and warranties of Borrower contained in this Agreement be true and correct on and as of the date of the initial Advance and each subsequent Advance as though made on and as of such date.

(iii) Other Items. That Lender receive such other items or documents as Lender may reasonably require.

Section 3. Representations And Warranties.

(a) Organization; Power; Etc. Borrower (i) is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents to which it is a party, (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; (v) is eligible to borrow from Lender.

(b) Due Authorization; No Violations; Etc. The execution and delivery by Borrower of, and the performance by Borrower of its obligations under, the Loan Documents have been duly authorized by all requisite corporate action on the part of Borrower and do not and will not (i) violate any provision of any law, rule or regulations, any judgment, order or ruling of any court or governmental agency, the articles of incorporation or bylaws of Borrower, or any agreement, indenture, mortgage, or other instrument to which Borrower is a party or by which Borrower or any of its properties is bound or (ii) be in conflict with, result in a breach of, or constitute with the giving of notice or lapse of time, or both, a default under any such agreement, indenture, mortgage, or other instrument. No action on the part of any member or shareholder of Borrower is necessary in connection with the execution and delivery by Borrower of and the performance by Borrower of its obligations under the Loan Documents except for actions which have occurred.

(c) Consents. No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents to which Borrower is a party, except such as have been obtained and are in full force and effect.

(d) Binding Agreement. Each of the Loan Documents to which Borrower is a party is, or when executed and delivered will be, the legal, valid, and binding obligation of Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.

(e) Compliance with Laws. Borrower is in compliance with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, except as Borrower has disclosed on Exhibit H.

(f) Environmental Compliance. Without limiting the provisions of Subsection (e) above, all property owned or leased by Borrower and all operations conducted by it are in compliance in all material respects with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations, under the Loan Documents, except as Borrower has disclosed on Exhibit H.

(g) Litigation. There are no pending legal, arbitration, or governmental actions or proceedings to which Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents, and to the best of Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as Borrower has disclosed on Exhibit H.

(h) Title to Property. Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any lien of encumbrance, except the liens and encumbrances specifically identified on Exhibit H.

(i) Financial Statements; No Material Adverse Change; Etc. All financial statements submitted to Lender in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of Borrower and the results of Borrower's operations for the periods covered thereby, and are prepared in accordance with generally accepted accounting principles for regulated utilities ("GAAP") consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of Borrower. All budgets, projections, feasibility studies, and other documentation submitted by Borrower to Lender are based upon assumptions

that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.

(j) Principal Place of Business: Records. The principal place of business and chief executive office of Borrower and the place where the records required by Subsection (g) of Section 4 hereof are kept is at the business office street address of Borrower shown in Section 1 of the Agreement.

(k) Subsidiaries. Borrower has no subsidiary, except as Borrower has disclosed on Exhibit H.

(l) Water Rights and System Condition. Borrower has water rights with such amounts, priorities and qualities as are necessary to adequately service Borrower's customers. Borrower controls, owns, or has access to all such water rights free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights, and has not abandoned such water rights, or any of them, nor has done any act or thing which would impair or cause the loss of any such water rights. Borrower's utility facilities reasonably meet present demand in all material respects, are constructed in a good and workmanlike manner, are in good working order and condition, and comply in all respects with applicable laws.

Section 4. Affirmative Covenants. Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any Advance is outstanding, Borrower agrees to:

(a) Corporate Existence. Preserve and keep in full force and effect its corporate existence and good standing in the jurisdiction of its incorporation and its good standing and qualification to transact business in all places required by law.

(b) Compliance with Laws and Agreements. Comply with (i) all Laws, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents; and (ii) all agreements, indentures, mortgages, and other instruments to which it is a party or by which it or any of its property is bound.

(c) Compliance with Environmental Laws. Without limiting the provisions of Subsection (b) above, comply in all material respects with, and cause all persons acting on Borrower's behalf, at Borrower's direction or under Borrower's control and occupying or present on any properties owned or leased by Borrower to so comply with all Laws relating to environmental protection, the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of Borrower, or on the ability of Borrower to perform its obligations under the Loan Documents.

(d) Licenses: Permits: Etc. Duly and lawfully obtain and maintain in full force and effect all licenses, certificates, permits, authorizations, approvals, and the like which are material to, or which may be otherwise required by law.

(e) Insurance. Maintain insurance with insurance companies or associations acceptable to Lender in such amounts and covering such risks as are usually carried by companies engaged in the same or similar business and similarly situated, and make such increases in the type or amount of coverage as Lender may request. All such policies insuring any collateral provided for herein, shall provide for loss payable clauses or endorsements in form and content acceptable to Lender. At the request of Lender, all policies (or such other proof of compliance with this Section as may be satisfactory) shall be delivered to Lender.

(f) Property Maintenance. Maintain and preserve at all times its property, and each and every part and parcel thereof, in good repair, working order and condition and in compliance with all applicable laws, regulations and orders.

(g) Books and Records. Keep adequate records and books of account in accordance with GAAP consistently applied.

(h) Inspection. Permit Lender or its agents, during normal business hours or at such other times as the parties may agree, to examine Borrower's properties, books, and records, and to discuss Borrower's affairs, finances, operations, and accounts with its respective officers, directors, employees, and independent certified public accountants.

(i) Water Rights. Maintain or procure water rights with such amounts, priorities and qualities as are necessary to service adequately Borrower's customers, whether riparian, appropriative, or otherwise and whether or not appurtenant and whether groundwater or surface water, any shares of stock and certificates evidencing the same; and all

grandfathered groundwater rights under A.R.S. Section 45-401, et seq. (collectively, the "Water Rights"). Borrower will continue to control, own or have access to all Water Rights free and clear of the interest of any third party, will not suffer any Transfer of the Water Rights, will not abandon the Water Rights, nor do any act or thing which would impair or cause the loss of any of the Water Rights. For purposes of this paragraph (m) "Transfer" means, respectively, each and all of the following"

(i) Any or all of the Water Rights, or any interest or right of Borrower in or to the Water Rights is conveyed to, or becomes vested in, any person, other than Borrower and Lender, voluntarily or involuntarily;

(ii) The occurrence of any event that results in any option, right of first refusal, other right to acquire, or any other claim, interest, or right in, to, or against, any or all of the Water Rights being held by a person other than Borrower or Lender, whether occurring voluntarily or involuntarily and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise;

(iii) Any lease or assignment of any of the Water Rights; and

(iv) Borrower enters into any agreement the performance of which would result in a Transfer under any of the clauses (i) through (iii) above, and the consummation of such agreement is not expressly conditional upon the prior written consent of Lender in its sole and absolute discretion.

(j) Operation and Maintenance of System. Borrower shall, in accordance with prudent utility practice, (a) at all times operate the properties of the Water System and any business in connection therewith in an efficient manner, (b) maintain the Water System in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the Water System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(k) Disadvantaged Business Enterprises. With respect to the construction of the Project, the Local Borrower must

(i) Make a good faith effort to award a fair share of work to DBE's who are small business enterprises (SBE's), minority business enterprises (MBE's), and women business enterprises (WBE's).

(ii) Require sub-recipients, including prime contractors and subcontractors, to make a good faith effort to award a fair share of work to DBE's.

(iii) Require prime contractors to pay subcontractors for satisfactory performance no more than thirty (30) days from the prime contractor's receipt of payment from the Local Borrower.

(iv) Require prime contractors to notify the Local Borrower in writing prior to any termination of a DBE subcontractor for convenience by the prime contractor.

(v) Report DBE participation to the Authority.

Section 5. Negative Covenants.

Unless otherwise agreed to in writing by Lender, while this Agreement is in effect, whether or not any advance is outstanding, Borrower shall not:

(a) Mergers; Acquisitions; Etc. Merge or consolidate with any other entity, or acquire all or substantially all of the assets of any person or entity, or form or create any new subsidiary or affiliate, or commence operations under any other name, organization, or entity, including any joint venture except if such transaction has been approved by the Arizona Corporation Commission, Borrower shall be required only to provide written notice thereof to Lender prior to the closing of such transaction.

(b) Change in Business. Engage in any business activities or operations substantially different from or unrelated to Borrower's present business activities or operations.

Section 6. Events Of Default. Each of the following shall constitute an "Event of Default" hereunder:

- (a) Payment Default. Failure by Borrower to make any payment or investment required to be made hereunder, under the Note, or under any other Loan Document when due.
- (b) Representations and Warranties. Any representation or warranty made by Borrower herein or in any other Loan Document shall prove to have been false or misleading in any material respect on or as of the date made, including deemed made in connection with each Advance.
- (c) Covenants and Agreements. Borrower should fail to perform or comply with any covenant or agreement contained herein.
- (d) Cross-Default. Borrower should, after any applicable grace period, breach or be in default under the terms of any agreement (other than the Loan Documents) between Borrower and Lender, including, without limitation, any other loan agreement, security agreement, mortgage, deed to secure debt, or deed of trust.
- (e) Other Indebtedness. The occurrence of any breach, default, event of default, or event which with the giving of notice or lapse of time, or both, could become a default or event of default under any agreement, indenture, mortgage, or other instrument by which Borrower or any of its property is bound or affected (other than the Loan Documents) if the effect of such breach, default, event of default or event is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument.
- (f) Judgments. Judgments, decrees, or orders for the payment of money in the aggregate in excess of the amount set forth in Exhibit E relating to Additional Indebtedness hereof shall be rendered against Borrower and either (i) enforcement proceedings shall have been commenced; or (ii) such judgments, decrees, and orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.
- (g) Insolvency; Etc. Borrower: (i) shall become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they come due; or (ii) shall suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (iii) shall apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property or, in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is so appointed; or (iv) shall commence with respect to it or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction.
- (h) Material Adverse Change. Any material adverse change occurs, as reasonably determined by Lender, in Borrower's condition, financial or otherwise, operations, properties, or business or Borrower's ability to perform its obligations under the Loan Documents.
- (i) Failure to Amend Subordination Agreement. The Borrower and any additional Creditor fail to amend the Subordination Agreement in accordance with Paragraph 2 of the Subordination Agreement.

Section 7. Remedies Upon Event Of Default. Upon the occurrence of and during the continuance of each and every Event of Default:

- (a) Termination; Etc. Lender shall have no obligation to make advances hereunder and, upon notice to Borrower, may terminate the Commitment and declare the entire unpaid principal balance of the Note, all accrued interest thereon and all other amounts payable under this Agreement and all other agreements between Lender and Borrower, to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the Note and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by Borrower.
- (b) Enforcement. Lender may proceed to protect, exercise, and enforce such rights and remedies as may be provided by agreement or under law including, without limitation, the rights and remedies provided for in the Note, and Lender may draw on the then-effective Standby Letter of Credit for amounts then due under the Note. Each and every one of

such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of Lender to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, nor shall any single or partial exercise of any rights or remedy preclude any other or future exercise thereof, or the exercise of any other right. In addition, Lender may hold and/or set off and apply against Borrower's indebtedness any and all cash, accounts, securities, or other property in Lender's possession or under its control.

(c) Application of Payments. After termination and acceleration of the Loan all amounts received by Lender shall be applied to the amounts owing hereunder and under the Note in whatever order and manner as Lender shall in its sole discretion elect.

Section 8. Survival. The representations, warranties, and covenants of Borrower in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

Section 9. Integration, Change, Discharge, Termination, Or Waiver. The Loan Documents contain the entire understanding and agreement of Lender and Borrower and supersede all prior representations, warranties, agreements, arrangements, and understandings. No provision of the Loan Documents may be changed, discharged, supplemented, terminated, or waived except in a writing signed by Lender and Borrower. No waiver of any breach or default shall be deemed a waiver of any breach or default occurring thereafter or a waiver of the time of the essence provision.

Section 10. Parties And Binding Effect. This Agreement is made solely between Lender and Borrower, and no other Person shall have any rights hereunder or be a third-party beneficiary hereof. This Loan Agreement shall be binding upon the undersigned, and upon the heirs, legal representatives, successors and assigns of the undersigned; and to the extent that the Borrower is either a partnership or a corporation, all references herein to the Borrower shall be deemed to include any successor or successors, whether immediate or remote, to such partnership or corporation. Borrower may not assign any of its rights or delegate any of its obligations under the Loan Documents without the prior express written consent of Lender, and any purported assignment by Borrower made in contravention hereof shall be void. Lender may from time to time assign, or sell participation interests in, any part or all of the Obligations and its rights and obligations under the Loan Documents in its absolute and sole discretion.

Section 11. Costs And Expenses. Borrower agrees to pay, on demand, all internal and external costs, expenses, and fees of Lender in respect of (i) application fees, (ii) enforcement of the Loan Documents and exercise of the rights and remedies of Lender, (iii) defense of the enforceability of the Loan Documents or of the perfection or priority of any Lien granted in the Loan Documents, (iv) any other matter relating to the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents, and (v) preparation for matters within (ii), (iii), or (iv) whether or not any legal proceeding is brought. Such costs shall include, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level). At the option of Lender such costs, expenses, and fees may be deducted from the proceeds of the Loan.

Section 12. Authority To File Notices. Borrower irrevocably appoints Lender as its attorney-in-fact, with full power of substitution, to file for record, at the Borrower's cost and expense and in Borrower's name, any notices of completion, notices of cessation of labor, or any other notices that Lender considers necessary to desirable to protect its security.

Section 13. Inconsistencies With Loan Documents. In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents or any loan application, the terms of this Agreement shall govern and prevail.

Section 14. No Waiver. No disbursement of proceeds of the Loan shall constitute a waiver of any conditions to Lender's obligation to make further disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding Lender from thereafter declaring such inability a default under this Agreement.

Section 15. Lender Approval Of Instruments And Parties. All proceedings taken in accordance with transactions provided for herein; all surveys, appraisals and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Lender. Lender's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

Section 16. Lender Determination Of Facts. Lender shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

Section 17. Disclaimer By Lender. Borrower is not and shall not be an agent of Lender for any purpose. Lender is not a joint venture partner with Borrower in any manner whatsoever. Approvals granted by Lender for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

Section 18. Severability. If any provision of this Agreement is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

Section 19. Waiver Of Jury Trial. Borrower waives, and, by accepting this agreement, the lender shall be deemed to waive, any right to a trial by jury in any action or proceeding to enforce or defend any rights (a) under this agreement or under any amendment, instrument, document or agreement delivered or which may in the future be delivered in connection herewith or (b) arising from any banking relationship existing in connection with this agreement, and borrower agrees, and, by accepting this agreement, the lender shall be deemed to agree, that any such action or proceeding shall be tried before a court and not before a jury.

Section 20. Time Of The Essence. Time is of the essence with regard to each provision of this Agreement as to which time is a factor.

Section 21. Notices And Demands. All written demands and notices by Lender or Borrower relating to the Loan Documents shall be served by certified or registered mail, return receipt requested. Each such demand or notice shall be deposited in the United States Mail postage prepaid and addressed to the addressee's address first above stated. Service of any such demand or notice shall be deemed complete on the date of actual delivery as shown by the addressee's return receipt or at the expiration of the third Business Day after mailing, whichever is earlier. Rejection or refusal to accept the demand or notice by the addressee or inability to deliver the demand or notice due to a changed address of which no notice was given shall not affect deemed service. Lender or Borrower may from time to time, by written notice served on the other, designate a different address or a different attention person for service of demands and notices.

Section 22. No Construction Against Lender Or Borrower. The Loan Documents are the result of negotiations between Borrower and Lender. Accordingly, the Loan Documents shall not be construed for or against Borrower or Lender, regardless of which party drafted the Loan Documents or any part thereof.

Section 23. Rescission Or Return Of Payments. If at any time or from time to time, whether before or after payment and performance of the Obligations, all or any part of any amount received by Lender in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by Lender to Borrower or any other Person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of Borrower or any other Person), such Obligation and the Liens on property, and rights to property that were the collateral at the time such avoided, rescinded, or returned payment was received by Lender shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

Section 24. Indemnification Of Lender. Borrower agrees to indemnify, hold harmless, and on demand defend Lender and its directors, officers, employees, agents, auditors, counsel, investment committee members and representatives for, from, and against any and all damages, losses, liabilities, costs, and expenses (including, without

limitation, costs and expenses of litigation and reasonable attorneys' fees) arising from any third party claim or demand in respect of this Agreement, the Loan Documents, the collateral provided for herein, or the transaction described in the Loan Documents and arising at any time, whether before or after payment and performance of the Obligations. The obligations of Borrower and the rights of Lender under this Section 26 shall survive payment and performance of the Obligations and shall remain in full force and effect without termination.

Section 25. Waiver Of Statute Of Limitations. Borrower waives, to the full extent permitted by law, the right to plead and any statutes of limitations as a defense in any action or proceeding in respect of the Loan Documents.

Section 26. Number And Gender. In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter genders, and vice versa.

Section 27. Headings And References. The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Reference herein to a section, attachment, exhibit, or schedule is to the respective section, attachment, exhibit, or schedule herein or hereto, unless otherwise specified.

Section 28. Counterpart Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this document to physically form one document.

Section 29. Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, as amended.

Section 30. Choice Of Law And Jurisdiction. This agreement shall be construed in accordance with and governed by the laws of the state of Arizona. The courts of Arizona, federal or state, shall have exclusive jurisdiction of all legal actions arising out of this agreement. By executing this agreement, the undersigned submits to the jurisdiction of the federal and state courts of Arizona.

Section 31. Notice Regarding A.R.S. § 38-511 Cancellation. To the extent applicable by provision of law, the parties acknowledge that this agreement is subject to cancellation pursuant to A.R.S. §38-511, the provisions of which are hereby incorporated herein.

Section 32. A.R.S. Section 23-214 E-Verify Compliance. The Borrower warrants to the Lender that it is registered with and is participating in the employment verification pilot program as jointly administered by the United States department of homeland security and the social security administration or any of its successor programs (the "E-Verify Program") and that the proof submitted to the Lender of that registration and participation is true and correct. The Borrower agrees that, so long as the E-Verify Program remains in effect, it will remain registered with and will participate in the E-Verify Program until the Loan is fully paid. If the Lender determines that the Borrower is not so registered and participating, the Lender will notify the Borrower by certified mail of the determination of noncompliance and the Borrower's right to appeal the determination. On a final determination of noncompliance, the Borrower shall repay all monies received as an economic development incentive (within the meaning of Arizona Revised Statutes Section 23-214) to the Lender within thirty days of the final determination.

Section 33. Compliance with Applicable Federal Laws And Authorities

The Borrower agrees that the project will comply with the applicable terms and conditions of those federal laws and authorities listed below, as amended from time to time:

Environmental:

1. Archaeological and Historical Preservation Act of 1974, PL 93291.
2. Clean Air Act, 42 U.S.C. 7506(c).

3. Clean Water Act, Titles II, IV, and V, Pub. L. 92-500, as amended.
4. Coastal Barrier Resources Act, Pub. L. 97-348.
5. Coastal Zone Management Act, Pub. L. 92-583, as amended.
6. Endangered Species Act 16 U.S.C. 1531, et seq.
7. Executive Order 11593, Protection and Enhancement of the Cultural Environment.
8. Executive Order 11988, Floodplain Management.
9. Executive Order 11990, Protection of Wetlands.
10. Farmland Protection Policy Act, 7 U.S.C. 4201 et seq.
11. Fish and Wildlife Coordination Act, PL 85-624, as amended.
12. Magnuson-Stevens Fishery Conservation and Management Act, Pub L. 94-265
13. National Historic Preservation Act of 1966, PL 89-665, as amended.
14. Safe Drinking Water Act, section 1424(e), PL 92-523, as amended.
15. Wild and Scenic Rivers Act, PL 90-542, as amended.
16. Environmental Justice, Executive Order 12898.

Economic:

1. Demonstration Cities and Metropolitan Development Act of 1966, PL 89-754, as amended.
2. Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.

Social Legislation:

1. Age Discrimination Act, PL 94-135.
2. Civil Rights Act of 1964, PL 88-352, Title VI.
3. Section 13 of PL 92-500; Prohibition against sex discrimination under the Federal Water Pollution Control Act.
4. Executive Order H 246, Equal Employment Opportunity.
5. Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements Executive Orders 11625, 12138, and 12432 Women's and Minority Business Enterprise..
6. Rehabilitation Act of 1973, PL 93, 112 (including Executive Order 11914 and 11250).
7. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.
8. Section 13 of PL 92-500; Prohibition against sex discrimination under the Federal Water Pollution Control Act.

9. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
10. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.
11. Anti-Lobbying Provision (40 CFR Part 30).

Miscellaneous Authority:

1. Anti-Lobbying Provision (40 CFR Part 30) and New Restrictions on Lobbying, Section 319 of Pub. L. 101-121
2. Executive Order 12549 - Debarment and Suspension.
3. Uniform Relocation and Real Property Acquisition Policies Act of 1970, PL 91-646.

FINANCING STATEMENT - FOLLOW INSTRUCTIONS CAREFULLY

This Financing Statement is presented for filing pursuant to the Uniform Commercial Code and will remain effective, with certain exceptions, for 5 years from date of filing.

A. NAME & TEL. # OF CONTACT AT FILER (optional)	B. FILING OFFICE ACCT. # (optional)
C. RETURN COPY TO: (Name and Mailing Address)	
Water Infrastructure Finance Authority of Arizona 1110 West Washington Ste. 290 Phoenix, AZ 85007 Attention: Finance Director	

THIS SPACE FOR USE OF FILING OFFICER**1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b)**

OR	1a. ENTITY'S NAME Arizona-American Water Company				
	1b. INDIVIDUAL'S LAST NAME				
1c. MAILING ADDRESS 19820 N. 7th Street, #201		CITY Phoenix	STATE AZ	COUNTRY USA	POSTAL CODE 85024
1d. S.S. OR TAX I.D. # To Be Determined	OPTIONAL ADD'L INFO RE ENTITY DEBTOR	1e. TYPE OF ENTITY Public Water System	1f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION Arizona		1g. ENTITY'S ORGANIZATIONAL I.D. #, if any NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b)

OR	2a. ENTITY'S NAME				
	2b. INDIVIDUAL'S LAST NAME				
2c. MAILING ADDRESS		CITY	STATE	COUNTRY	POSTAL CODE
2d. S.S. OR TAX I.D. #	OPTIONAL ADD'L INFO RE ENTITY DEBTOR	2e. TYPE OF ENTITY	2f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION		2g. ENTITY'S ORGANIZATIONAL I.D. #, if any <input type="checkbox"/> NONE

3. SECURED PARTY'S (ORIGINAL S/P or ITS TOTAL ASSIGNEE) EXACT FULL LEGAL NAME - insert only one secured party name (3a or 3b)

OR	3a. ENTITY'S NAME Water Infrastructure Finance Authority of Arizona				
	3b. INDIVIDUAL'S LAST NAME				
3c. MAILING ADDRESS 202 East Earl Drive, Suite 480		CITY Phoenix	STATE AZ	COUNTRY USA	POSTAL CODE 85012

4. This FINANCING STATEMENT covers the following types or items of property:

Letter of Credit covers collateral for this loan

5. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> LESSOR/LESSEE <input type="checkbox"/> CONSIGNEE/CONSIGNOR <input type="checkbox"/> BAILEE/BAILOR <input type="checkbox"/> SELLER/BUYER <input type="checkbox"/> AG. LIEN <input type="checkbox"/> NON-UCC FILING	
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA	